

OVERSIGHT BOARD
SUCCESSOR AGENCY
TO THE WEST HOLLYWOOD
COMMUNITY DEVELOPMENT COMMISSION

OCTOBER 28, 2015

SUBJECT: A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION APPROVING A REVISED LONG RANGE PROPERTY MANAGEMENT PLAN FOR THE PROPERTY OF THE FORMER WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION AND DIRECTING STAFF TO SUBMIT THE DOCUMENT TO THE STATE DEPARTMENT OF FINANCE

INITIATED BY: SUCCESSOR AGENCY

(David A. Wilson, Director of Finance & Technology Services) *DAW*

(John Leonard, Revenue Management Manager) *JRL*

STATEMENT ON THE SUBJECT:

The Oversight Board will consider the approval of a Revised Long Range Property Management Plan for the property of the former West Hollywood Community Development Commission. The Revised Long Range Property Management Plan requests that the only property of the former Community Development Commission, the Spaulding Public Parking Lot, be transferred to the City of West Hollywood, to be retained for governmental use, pursuant to Health and Safety Code Section 34181(a).

RECOMMENDATION:

Approve Resolution No. OB15-016 "A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY TO THE WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION APPROVING A REVISED LONG RANGE PROPERTY MANAGEMENT PLAN FOR THE PROPERTY OF THE FORMER WEST HOLLYWOOD COMMUNITY DEVELOPMENT COMMISSION AND DIRECTING STAFF TO SUBMIT THE DOCUMENT TO THE STATE DEPARTMENT OF FINANCE".

BACKGROUND AND ANALYSIS:

On February 1, 2012, pursuant to Assembly Bill x1 26 ("AB x1 26") all redevelopment agencies across the State were dissolved and successor agencies were established to wind-down their operations and obligations. AB x1 26 required successor agencies, and their oversight boards, to dispose of former redevelopment agency properties as quickly as possible.

On June 27, 2012, a clean-up bill to AB x1 26 was enacted by the State Legislature ("AB 1484"). AB 1484 created several new deadlines and procedures which must be followed by successor agencies. One of these new procedures is the requirement that successor agencies prepare and submit a Long-Range Property Management Plan ("LRPMP") for approval to their oversight board and the State Department of Finance ("DOF"). The LRPMP must address the disposition and use of the real property of the former redevelopment agency.

The LRPMP process was created in recognition that the rushed disposition of properties could be detrimental to communities and not result in the highest financial returns for taxing entities. Pursuant to Health and Safety Code ("H&SC") Section 34191.5, successor agencies must submit a LRPMP to their oversight board and DOF, for approval, within six months of receiving a Finding of Completion from DOF. The Successor Agency to the West Hollywood Community Development Commission ("Successor Agency") received its Finding of Completion on April 26, 2013, as a result of remitting all unencumbered former West Hollywood Community Development Commission ("CDC") cash to the County for distribution to taxing entities. Based on this requirement the Successor Agency was required to submit an oversight board approved LRPMP to DOF for approval no later than October 26, 2013.

On September 16, 2013, the Successor Agency Board (West Hollywood City Council) approved a LRPMP that requested the only property of the CDC, the Spaulding Public Parking Lot ("Spaulding Lot"), be transferred to the City of West Hollywood as a government purpose property. The LRPMP was approved by the Oversight Board to the Successor Agency of the West Hollywood Community Development Commission ("Oversight Board") on September 18, 2013, and was submitted to DOF on September 19, 2013 for review; meeting the deadline detailed above. On June 5, 2014, the Successor Agency received a letter from DOF rejecting the Agency's LRPMP, based on their interpretation of the dissolution legislation; specifically, DOF did not believe that parking lots qualified as "governmental purpose properties". The Successor Agency was directed by DOF to submit a Revised Long Range Property Management Plan "Revised LRPMP" to DOF for review. At that time, the deadline for having an approved LRPMP was January 1, 2015. On July 18, 2014, Governor Jerry Brown signed AB 1963 (Atkins) which extended the date by which successor agencies must have an approved LRPMP from January 1, 2015 to January 1, 2016.

On September 22, 2015, Governor Jerry Brown signed SB 107 (Budget Committee) which, among other things, expanded the definition of "governmental purpose properties" to include certain public parking lots. Pursuant to the legislation, parking facilities and lots dedicated solely to public parking that do not generate revenue in excess of reasonable maintenance costs are now considered "governmental purpose properties"; the Spaulding Lot meets this test. Based on the revised definition, the Successor Agency Board approved a Revised LRPMP on October 19, 2015, that requests transfer of the Spaulding Lot to the City of West Hollywood as a "governmental purpose property".

Long Range Property Management Plan Requirements

As detailed in the dissolution legislation, the LRPMP shall do all of the following:

1. Include an inventory of all of the former redevelopment agency's real property. The inventory shall consist of all of the following information for each property:
 - The date of acquisition of the property and the value of the property at that time, as well as an estimate of the current value of the property.
 - The purpose for which the property was acquired.
 - Parcel data, including address, lot size, and current zoning in the former agency redevelopment plan or specific, community, or general plan.
 - An estimate of the current value of the parcel including, if available, any appraisal information.
 - An estimate of any lease, rental, or other revenues generated by the property, and a description of the contractual requirements for the disposition of those funds.
 - The history of environmental contamination, including designation as a brownfield site, any related environmental studies, and history of any remediation efforts.
 - A description of the property's potential for transit-oriented development and the advancement of the planning objectives of the successor agency.
 - A brief history of previous development proposals and activity, including the rental or lease of the property.
2. Address the use or disposition of all of the former redevelopment agency's properties. Permissible uses include:
 - 1) The retention of the property for governmental use pursuant to subdivision (a) of Section 34181,
 - 2) The retention of the property for future development,
 - 3) The sale of the property, or
 - 4) The use of the property to fulfill an enforceable obligation.

The LRPMP must separately identify and list properties dedicated to governmental use purposes and properties retained for purposes of fulfilling an enforceable obligation.

All of the requirements outlined above are included in the attached Revised LRPMP.

Property of the Former West Hollywood CDC

At the time of dissolution, the CDC had one real property asset. Information regarding that property is listed below:

Real Property of the Former West Hollywood CDC	
Address:	7718-7720 Santa Monica Blvd
Parcel Number:	5530-016-900
Size:	10,000 Sq. Ft.
Zoning:	CC1 – Commercial, Community 1
Current Use:	City Operated Public Parking Lot (28-spaces)
Purchase Date:	March 17, 2003
Purchase Price:	\$1,300,000
Current Appraised Value:	\$2,465,000

As shown in the preceding table, the only property owned by the CDC, at the time of dissolution, was a 28-space public parking lot located on the southeast corner of Spaulding Avenue and Santa Monica Boulevard in the former East Side Redevelopment Project Area, known as the “Spaulding Lot.” The property was originally purchased by the CDC in 2003 to be used as a public parking lot, and has been operated as one ever since then. The property is the only City or CDC owned public parking lot on the eastside of the City.

The Spaulding Lot currently generates parking revenue from patrons who pay by the hour and monthly pass holders. Prior to July 1, 2015, the Spaulding Lot also generated billboard lease revenue from a billboard located on the property. As of July 1, 2015, the advertising agency that owned the billboard chose not to extend the lease because the billboard was not profitable. The physical billboard structure was owned by the billboard company and has been removed from the Spaulding Lot.

The parking revenue generated by the Spaulding Lot has been, and continues to be, used to offset the costs of maintaining the lot. When the billboard was on the Spaulding Lot the lease revenue was deposited into the City’s Parking Improvement Fund and used for public parking capital improvements throughout the City. The following table provides a breakdown of the net operating income from the last two fiscal years for the Spaulding Lot.

West Hollywood Spaulding Lot**Annual Net Operating Income**

	Actual FY 2013-14	Actual FY 2014-15
Revenue		
Parking Revenue	\$40,804	\$45,198
Billboard Revenue	\$80,000	\$80,000
Total Revenue	\$120,804	\$125,198
Expenditures		
Operating/Maintenance Costs	\$52,710	\$47,220
Total Expenditures	\$52,710	\$47,220
Net Operating Income	\$68,094	\$77,979
Net Operating Income (less Billboard Revenue)	(\$11,906)	(\$2,022)

The costs of maintaining the Spaulding Lot include the City's contract with ABM Parking Management to manage all of the City's public parking lots, utility costs, City staff time, landscaping costs, sweeping/cleaning costs, insurance costs, and capital repair costs. These costs are shown in further detail in Attachment 3 to the Revised LRPMP.

Revised Long Range Property Management Plan Recommendation

The Successor Agency is requesting that the Spaulding Lot be transferred to the City of West Hollywood, to be retained for governmental use as a public parking lot.

Health and Safety Code Section 34191.5 states that one of the permissible uses of former redevelopment agency property includes the retention of the property for governmental use pursuant to subdivision (a) of Section 34181. Health and Safety Code Section 34181(a) states that a Successor Agency must:

Dispose of all assets and properties of the former redevelopment agency; provided, however, that the oversight board may instead direct the successor agency to transfer ownership of those assets that were constructed and used for a governmental purpose, such as roads, school buildings, parks, police and fire stations, libraries, parking facilities and lots dedicated solely to public parking, and local agency administrative buildings, to the appropriate public jurisdiction pursuant to any existing agreements relating to the construction or use of such an asset.

It is further noted in Section 34181(b) that *"parking facilities and lots dedicated solely to public parking" do not include properties that generate revenues in excess of reasonable maintenance costs of the properties.*

The Spaulding Lot was purchased in 2003 to serve as a governmental use. Since it was purchased, the property has continually been used for a governmental purpose, serving as a public parking lot.

As indicated in the previous table the Spaulding lot has generated revenues in excess of the annual maintenance costs for the last two years. However, excess revenues were only generated due to the billboard lease. As mentioned previously, that billboard has been removed from the Spaulding Lot and the contract with the billboard company was terminated. Without the billboard, the parking revenues generated by the Spaulding Lot do not exceed the maintenance costs associated with the property.

It should also be noted that a billboard will not return to the Spaulding Lot in the future. The reason for its removal was because it was not profitable for the billboard company to operate. The billboard was also originally added to replace an existing billboard that was damaged. At this time, no new billboards are allowed on Santa Monica Boulevard in the City.

Upon approval of the Revised LRPMP by the Oversight Board and DOF the Successor Agency will complete the transfer of the Spaulding Lot to the City as a governmental use, and the property will continue to be operated as a public parking lot.

FISCAL IMPACT:

The Long Range Property Management Plan requests that the Spaulding Lot be transferred to the City at no cost, as a governmental use property.

ATTACHMENT:

Resolution (Long Range Property Management Plan included as Exhibit A of Resolution)